

# ON THE EXCHANGES

## Take your turn to bag a profit

Peter Webb made £45 in 100 seconds without ever risking his stake — here's how he did it

**O**ne of the biggest barriers for traditional punters trying to trade is that trading is a very different beast from conventional betting. Not only in terms of what you are doing but also how you do it. While it is simple to execute it requires a different mindset in terms of how you do it.

When punting landing a long shot at 30-1 obviously makes you happy, not only with the return but the skill you used to land that long shot. Netting a gain on a 1-10 shot is obviously less taxing.

The well studied favourite/long-shot bias digs a little deeper into the average punter's psyche and confirms this. The conclusion of these studies is that punters like to win big rather than netting lots of 'obvious' chances.

Whatever the preference for how you land your profits, the fact still exists that profit is your number one aim. Backers tend to get lots of losses with the occasional big win, layers' results tend to be inverted, lots of wins with the occasional big loss.

Turn to trading however and you need a completely different perspective on things. In order to achieve that let us first appraise a simple trade.

In the first illustration you see that in the 'bet history' area of Bet Angel we have successfully laid £500 at 2.88 on 'Brave Villa'. We have also successfully backed the same selection for £500.

This has netted us a £10 profit on that horse. We have achieved this because we have laid at a lower price than we backed at. Basically we have used £1,000, £500 on the back and lay side to generate this profit.

A £10 profit for £1,000 in stakes seems an incredibly mea-

gre return compared to what you would expect with conventional gambling but, of course, this isn't conventional gambling. Because we have traded the position we are left with no possibility of loss on any of the field.

So rather than thinking of it as a £10 return on stakes of £500 our net stake is actually zero. The £10 has pretty much appeared out of thin air, it's a £10 return on, well nothing!

Overcoming the thought that your stake, when gambling on price movements, is somehow related to your stake like that in more conventional gambling terms, is obviously an error. If your stake was left open-ended then that is definitely a risk, but because you are looking to open and close your stake by backing and laying the same selection you omit the stake risk out of the equation.

Rather than using large amounts to win large amounts your focus generally shifts away from your win amount, to the preservation of your stake.

**Your basic set of measurement and management tools should consist of:**

**Stake** – How much money are you putting into the market or each bet or trade?

Ultimately the amount you stake is completely under your control. Staking unnecessarily large amounts is not good practice. If you are not familiar with using large amounts of money, the pressure of a large trade will significantly force your hand.

There is the possibility of a trade going wrong and potentially losing you money as well. In our example we are betting on the price movement of a horse priced at 2.88. At this level the price moves in increments of 2% up or down.



Traders make a profit by turning over their money

With a £500 stake the price would need to move to be heavily odds on before we stood a chance of losing our entire stake.

If the price started to move against you, only a complete fool would let it move that much before deciding their trade was not going to work out. In short, if you trade short priced selections it's very hard to do much damage to your stake.

**Turns** – How often are you able to put your stake through the market?

Turns are only really applicable in a trading market, not a traditional betting market. One of the key characteristics of betting exchanges is that they perform instant settlement when you back and lay the same selection.

When we talk about instant settlement what we mean is that you don't have to wait till the event is complete before you are allowed to put your money back through the market, let me explain.

If you used a £500 bank you could put the entire amount into and out of the market and all Betfair would hold over till the event completed was your profit or loss on that particular trade.

If you have made a profit, your £500 stake is immediately free to use again. If you have made a loss then your bank less your loss is available to reuse. Because of these characteristics you can ef-

fectively 'recycle' your stake as many times as you want when trading a market.

How often you can turn this capital is critical as it effectively multiplies the amount of trading capital. If there are five meetings in a day and they contain six races each. If you manage to place only one trade on a race for £1,000 you will have traded in and out, a total of £2,000.

However there are five meetings and six races, so you could trade £60,000 over the course of the day by doing just one trade. If you managed to perform five trades per race you find yourself reaching an astonishing £300,000 turnover per day all with a betting bank of only £1,000.

The net effect of this is that it allows you to achieve potentially astonishing returns from your betting bank. With a bank of £1,000 and turnover of £300,000 a day you would only need to find 0.33% profit on your trade to double your bank in a day.

Of course, in contrast, you would also only need a 0.33% loss to wipe yourself out! In the trading world capital preservation is a key requirement.

In fact your first attempt at trading should be to not lose money, if you can achieve that, then you can build out to more adventurous strategies!

In the next illustration you can



# In association with Bet Angel



see this leveraging effect in motion. In the illustration we are one minute and 40 seconds later into the race and still one minute before post time.

In that time we have put through another two backs and two lays of £500 each, making a total of three trades. Our profit on this horse is now up to £45, a much more reasonable profit!

Ah, hold on, haven't we used £3,000 to generate this profit? Well yes and no, our turnover on Betfair is £3,000, but to generate this £45 profit you would only ever need a betting bank of £500.

All we have done is put it through three times on each side. As a result we have earned a near 10% potential return on just one race. Add up the number of races a day, a week and over a year and you realise the potential.

Of course, we need a reality check, you don't win every time. But the ability to recycle your money repeatedly through the market is a significant plus, couple this with careful management of the downside risk on your stake and you will be well on your way to a successful trading strategy.

## Learn more

To learn more about how to trade and how to get the best out of trading visit [www.betangel.com](http://www.betangel.com) where you can download free trading tools and also get advice. Personal mentoring is also now available.



Here we have made £10 by backing and laying Brave Villa to secure a profit



100 seconds later we have managed to secure a £45 profit without any risk